



# Frank Curzio's WALL STREET UNPLUGGED

- Announcer:** Wall Street unplugged looks beyond the regular headlines heard on mainstream financial media to bring you unscripted interviews and breaking commentary direct from Wall Street right to you on mainstream.
- Frank Curzio:** How's it going out there? It's June 13th and I'm Frank Curzio, host of the Wall Street unplugged podcast. Where I break down the headlines and tell you what's really moving these markets.
- Frank Curzio:** A lot of big stories this week. Between Trump, Kim Jong Signing denuclearization deal their countries. I'm happy this deal went down, but also a little sad. Trump's going to be able to call Kim rocket man anymore, thought that was one of the best nicknames. I love Trump's nicknames by the way. Lying Ted. Crooked Hillary. Little Marco. He had like 15 or 20 low energy Jeb. I mean, man is our president by the way. So I just think, uh, yeah, I think it's funny. It's hilarious. You guys step back and you got to laugh, right? So you got to do anyway. But, a pretty big deal sign even, it's good for our country, right? I mean, it seems like this was our biggest threat going in according to both parties and now it looks like we're taking this thread off the table so it looks like.
- Frank Curzio:** Right. Again, I don't wanna get political. I don't care who did the deal or whatever, but you know to. It looks like there's a fantastic deal. Again, it's about safety and it looks like a lot of this risk, which was a big risk. For years North Korea, it is kind of off the table. Again, a lot could happen after this. We'll see what happens, but overall positive, both sides kind of agreeing on is trying to pick on it. But whatever big news. Today, the Fed's gonna raise rates doing this a little bit earlier than the meeting is going to come out with a 2:30ish three what? Whatever time they come out with these days, news early Wednesday, but they're probably going to raise by 25 basis points time.
- Frank Curzio:** By the time you listen to this if they don't, but they will. That'd be 25 basis points, but more important. It's not just that that's expected, the market's anticipating it's going to be the commentary after that you really have to pay attention to, but if they had plans on continuing to raise rates, or slow down a bit and say, Hey, you

know what, we're going to wait and see because the market is getting hot right now. Right, okay. You continue hitting new highs. It's a lot of inflation out there. Definitely higher, you're seeing that inflation once inflation. It's like a train coming downhill. Once it starts, it's hard to stop and it's picking up.

**Frank Curzio:**

Let's see how the Fed reacts, so they're going to be like, no, we definitely need to raise way or you know, or slow it down. Let's say it's good to have big implications. Not The 25 basis point hike, its anticipated that everyone knows that's going to happen. It's the next one is going to be interesting because they lowered. If you look at the Fed, especially on the recent risks that it had been going on. If you look at Tarot, just geopolitical uncertainties and things like that ... you look at the market, the Fed is actually anticipating was I think a 60, 70 percent chance of embracing. Those are the odds I get and they keep track of this stuff and know odds of the Fed rate hike futures markets and it went down to the single digits few weeks ago.

**Frank Curzio:**

So this is going to change. You're going to see what the Fed's going to be big news. Again, it's the commentary that's important guys so pay attention. I'll cover that next week. Also in the news, international house of pancakes. It is changing the acronym from IHop to IHob with a B, which stands for international house of Burgers, as a restaurant chain has seen at sales fall for 10 straight quarters and they need something major revolutionary out of the box thinking we need to change your perception here. It's huge. So you decide it's all hamburgers, like the 20 million other fast food restaurants in the world. Not to show who part of that marketing team, if that's the best idea and come up with maybe they should have just launched a marketing campaign highlighting how you are one of the only company to serve breakfast all day, which McDonald's did. If they announced them, how big was that for McDonald's? Right. Really changed perception of that company when it was down in the dumps three, four years ago, I think they announced that.

**Frank Curzio:**

McDonald's didn't have to change any letters in their name, for some reason, that's top story that again, only change it out for a little while and they're going to go back with, but they want to serve lunch, whatever. Just think it could have been something a little different, but the biggest story that week guys by far is AT&T. [inaudible 00:04:42] approves AT&T 85 billion dollar takeover of Time Warner with zero restrictions. You're not be a surprise

anyone. Listen to this podcast. It's all political. That deal had to go through. They just swam and had zero case. It's a vertical platform merging with a horizontal one or a content distributor with tons of competitors in every industry, merging with a content provider with tons of competitors and their industry. No way this even should have made it to the courts.

**Frank Curzio:**

The courts did deny this deal. Again, basically a merger between two companies in two different industries. You would basically have no mega mergers going forward. I mean, it's insane. When you look at the grant, the grants when they were coming at the Justice Department is going to be better for the consumer. Is it not? It's two totally different companies, different industries, and not only that ... imagine, forget about what's on the table. Comcast Fox, right? That's all that would have been off the table. CBS, Viacom off the table. Disney 21st century Fox off the table. Again, that's just the media was a big deal in healthcare, energy technology, keep going sector the sector and the who have been crazy and we're going from what they provided. They provide the roadmap for what companies to really base off of. It's what courts all about, you site past cases and what happened past cases, past cases, past cases. When you go up there based on this case, this is what I based on this case, this is what happened, and you prove your point in a court of law. Well, how do you prove Comcast, NBC universal, and then come back and say, Hey, you know what? We're not gonna approve AT&T and Time Warner.

**Frank Curzio:**

I mean that's insane and what's going to happen afterwards. Can't reverse that deal. You're doing two different things, so this is definitely going to get done. It just unfortunately, it's our system. It's political. It's lawyers and maybe some of these guys, you need to generate some more money and they did like going to court and AT&T cost everybody, like a billion dollars or something like that in total cost to push us out of this deal was announced when in 2016 finally got approved, but now let's look at this deal and the implications.

**Frank Curzio:**

Since 99 percent of the people talking about this deal that I see on TV and the media know nothing about this deal, but you know nothing. Okay? I don't want to sound like criminal. I don't know a thing. No. I can have one of those moments. I'm not some genius. I'm not some brilliant person. I consider myself a good, been at this for a very long time and I follow these companies for a very, very long time. AT&T's one of the biggest holdings in my portfolio and I want to share my take with you since its original because this deal could result in AT&T becoming one of the biggest companies in the

world and just five years from now. Forget about what you're seeing with the stock price today. Yes. Got to go down. Maybe it goes down even further. Maybe it goes down to 30 over the next couple of weeks. I don't care. It doesn't matter. Don't look short term.

**Frank Curzio:**

Hear me out first before you think I'm crazy. Because I know there's people out there, newsletters talk you about the debt, they're going broke avoid AT&T, it's terrible. That's why this is different. Just hear me out. Even if you're on that side, it's good to hear this opinion. So before you shut the podcast off, just listen because I'm going to throw facts at you, which is important that you look at the facts, not opinion, not stupid headlines, so time Warner if you didn't know, one of the biggest and best content providers in the world. Go by HBO, Cinemax, TNT, which is you'll basketball, huge for TNT, and Turner sports network along with direct TV now with the NFL package, so a massive sports presence.

**Frank Curzio:**

These combined companies, but sticking with Time Warner. You have TBS, Cartoon Network, 10 percent ownership and Hulu, CNN, you have Warner Brothers Entertainment, which the movie studio where 17 years in a row, it's movie division passed the \$1,000,000,000 mark, both domestic and international. Been a fantastic business that more than 8,300 and movie titles, 10 of which were Academy Awards for best picture, more than 5,000 television programs. So a massive, massive content provider that time Warner and turner have a massive inventory of advertise that amounts to more than 750 billion impressions per year. Impressions, important word, right? That's an ad that's viewed by someone, it's how the advertising industry charges its customers based on impressions, thousand impressions as much cause with a dollar, five dollars for offline dollar 50 or whatever it is. Right? So it's impressions.

**Frank Curzio:**

Now you combine that with direct TV and AT&T's network which get over 200 billion impressions every year and you just combined a company that has over one trillion impressions per year. I mean it's talking about tens of billions of dollars in advertising revenue from accompany AT&T whose business model right now has nothing to do with advertising.

**Frank Curzio:**

What do we know about advertising? Look at the stocks at Google, look at the stocks of Facebook. Look at these stocks that do fantastic, advertising is an amazing model. Online mobile, amazing model, secular growth, massive growth. You talk about a company, it's going to be the same league as Facebook and Google, but and there's a big but here, it's not gonna happen right away, but it is going to happen. It's not just about advertising. AT&T has a 160

million wireless subscribers. They can send ads to those people whenever they want. Now they have massive content. Again, I'm in the content business as well. It's important. The reason why our business works is because we have great content.

**Frank Curzio:**

That's something I'm very proud of at Curzio Research. We have a list that's one, 1000th the size of our competitors and we're able to generate a lot of money. Why? Because we have great content because we have great analysts, guys out there. You're going to see him on TV. They're in the field. Content is key. Time Warner is one of the greatest content providers in the world. They have great, great content that people want to see. A very important to know.

**Frank Curzio:**

You're looking at direct TV part of AT&T, in 20 million homes, they can send ads to these people directly. So you have to direct TV, 20 million homes, AT&T, 160 million subscribers. 20 million connected cars are on the AT&T network. That number goes higher every month. You're basically talking about an advertising giant and sticking with Time Warner still ... take a look at the profits, but time Warner, over the past 10 years, they've gone up every single year, they project to go well over 6 billion this year. Profit, 6 billion profit, not revenue. Over the past seven years, the company has a compound annual growth rate of more than 17 percent over the past seven years. That's higher than Disney, 21st century fox, CBS, almost every one of its competitors, they have core competitors. I couldn't find one higher.

**Frank Curzio:**

Now. The key to this, throw in what Facebook is doing, what Google is doing, big data analytics and cloud. AT&T is going to know everything about everyone. Yes, there's privacy issues. Yes, we have laws coming down. Yes, we understand what was going on with Facebook right now, but they're going to be an advertisers dream. They're gonna know what's going on, they're in these people's homes, they're in mobile and you talk about 150, 200 million people strong in the US who are some way or another on AT&T's platform. You didn't have direct access to their lives. Again, they're gonna have been mobile phone on them and their homes, now throw in one of the biggest technology trends in the world that really nobody's talking about that Steve [inaudible 00:12:43] mentioned, I mentioned last week 5G. 5G makes every single major trend in technology that time's better.

**Frank Curzio:**

Cloud, big data, AI, all this stuff. 5G is huge. What is 5G? Basically speeds going to increase the speeds. Think how fast everything is now, when you stream get like seven, eight years ago, it was

tough to stream a movie on Netflix. Now it's not a problem. You can download. Everything is media, everything is commercials, right? Every site, everything is video now. Six, seven years ago, even some of the mobile phones, you couldn't really watch video. You don't have to capacity. It was slow. Now it's like one second. Think about how fast we are now, 5G increases our speeds by 50 to 100 times. That might not mean a big deal to you because you used to watch a movies, but think about algorithms, think about determining what people are doing, predictive analysis, AI, this puts it to another level and the companies who have the most exposure to people other than to learn the most about them.

**Frank Curzio:**

That's where we're going to get about the privacy issues. Forget about everything else. I know that's a whole other topic, but this is why on Facebook or on Google, if you're looking at something, it seems like even if he had talked to your wife about something and you go on Google, next thing you know there's an ad for like a vacuum cleaner that you talked about. You know what you're like, what the hell's going on?

**Frank Curzio:**

This is AT&T, they're going to have access to what everyone's doing and they're going to send you ads tailored to your needs. Is that going to be like these, you know your watch TV and you see all these ads that you don't care about? No, they're going to be sending you ads that you do care about, of products that you buy. They can have all this analysis with big data and cloud. You're looking at this deal, it's creating with the biggest media giants in the world, and it can have significant advantages over Facebook and google since these companies are what? Internet only advertising businesses, right? You generate sales from advertising. That's a bulk of their revenue. You look at Disney, Comcast, 21st century Fox. Viacom, yes. Big in advertising, little access to mobile. Now look what AT&T has. They're going to be generating billions in advertising, billions from mobile, billions from pay TV, and billions from Internet.

**Frank Curzio:**

They're rolling out fiber everywhere. I mean, this model basically puts Comcast out of business because AT&T is going to have much better content, much faster internet speeds they have already, better car packages to stream content. Seriously, when you look at Comcast, why would anyone need to have a subscription to Comcast? I mean, it's a company that signs you up and again, I'm not getting personally, you know, I don't like Comcast, but you know, they force you to get triple plays to pad their numbers. I mean all I need is an internet connection. You're like, well for the Internet connection is going to be \$800, but if you have the triple



play it's going to be \$250. So basically I'm paying for a phone and then after two years it's going to reset this way. You're going to pay a ton of money anyway on internet and I'm still paying a ton of money on things that I don't use.

**Frank Curzio:**

Whether it's I'm not using your TV, I'm not using your phone. That's the business model. And a company. Again, this isn't me ranting on them or raving, I had that rant already, but if you look at the statistics, look at the top 20 companies that are the worst companies when it comes to customer service. They don't need to care because it was a monopoly. Well, now you're getting threatened because that monopoly was built on you having great internet and now AT&T's rolling out fiber everywhere they can offer TV through DirecTV, they have wireless so you can have you're, it's like a complete massive package that you can order under one umbrella.

**Frank Curzio:**

Now the big headline, what you're waiting for me to get for, is the debt. AT&T has the biggest debt load out of any company in the world. It's insane. They're going to go out of business. Guys, just do a little homework here because the people had a say in this. It's just insane. I'm going to put this again. I'm throwing facts at you. You could come up with your opinion. You can say, frank, you're a moron, I hate you AT&T's a joke. Your analysis is terrible. Fine. These are facts. Okay. AT&T is going to have about \$175 billion of long-term debt, a massive number and highest by any company industry makes for great headline.

**Frank Curzio:**

I'm hearing the company's going to go bankrupt. They're going to be in trouble. This is crazy, better watch out. If those of you believe AT&T's debt is an issue. Okay, just go back to July 27, 2017, sorry, 2016. They announced this deal so they need to raise money so AT&T went to the bond market. They raised 22 and a half billion dollars in the bond market. The third largest investment grade bond offering I think in history. Again I have a great bond analyst that are listening. So again, I'm pulling these stats up and they're going to correct me if I'm wrong, but that's basically what's been reported.

**Frank Curzio:**

This was raised for the Time Warner acquisition. Again, when she announced 2016, the longest portion of this sale which came in seven parts, this deal. Is a 41 year bond that yields just two and a half percent more than treasuries. That's it. And the market was begging for AT&T to do more. The original offer was 15 billion and they raised it to 22 and a half billion. They had enough orders to go to 65 billion dollars. Hey, those guys are usually pretty smart guys in the bond market. A lot smarter than guys in equity market. They were dying for more dying for more dying for more. For a

company that everyone's worried about that's gonna go out of business because their debt's crazy. I gotta get some more figures. Okay, so they just settle and AT&T said no. Well then you're 22 and a half billion. That's fine. They could get over \$60,000,000,000 in that offer.

**Frank Curzio:**

They raised that money that had enough cash that's it. Now they're going into this deal and the justice department, everything else now looking at the facts. AT&T's gonna have \$175,000,000,000 in long-term debt, only \$70 million of this. I say only which is kinda crazy. Only 70 billion is going to be doing over the next five years at a company right now as close to \$50,000,000,000 in cash in short term investments on the balance sheet, but they're going to use some of that to actually paid for the transaction for Time Warner. They're expected, which they're doing right now, right now they doing without Time Warner, \$20,000,000,000 in annual free cash flow. They get to do that for the foreseeable future. That's easily enough to cover their debt. They're not gonna use the entire cash position to put it in its half cash, half stock transaction.

**Frank Curzio:**

So maybe they keep 10 billion, 15 billion on the balance sheet. They're not going to have debt concerns with it right now without time Warner. Twenty billion in free cash flow, in free cash flow. And we just talked about the bonds and how they could have easily they saw more demand and more demand [inaudible 00:19:19] So if you're looking at debt, right, again, it's sort of facts. AT&T doesn't have any debt concerns. Is it the highest amount? Yes. We're talking about a company generates over \$150 billion in sales every year. I mean, it's insane. And again, we're not even talking about like you know, all the synergies and everything coming in and all these businesses and everything they're gonna do. So if you're looking at their debt over the next five years, at \$70 billion, and you just take the number of \$20,000,000,000 free cash flow, which nobody's talking about.

**Frank Curzio:**

Not to mention they're going to have at least 10 billion, maybe 15 billion in cash on their balance sheets already. I would talk about not a problem at all of paying this debt off. Not only that, if we look at it, after this is post, based on my analysis post, right? Because people are like, well, how are they going to pay the dividends? Dividend's crazy. If you look at their dividends. They're going to pay it for the foreseeable future. You might say, wow, that's crazy, but I have these debt concerns and I thought that would go into a



business. If you look at right now, even right now, their dividend payout ratio is 60 percent post this deal it's going to be a little lower. It's going to be like 55 percent dividend payout ratio. What does that mean? Being as dividend payout, if is 100 percent. That means that they're paying out the last 12 months, earnings goes exactly 100 percent of that is going to their dividends.

**Frank Curzio:**

So if you get 100 percent or even 80 percent, that's really high, it goes over 100 percent. It can't be sustained. So you wanted a lower dividend payout ratio in the fifties, sixties, forties, thirties means that dividend is pretty safe. They're covering it easily with earnings. Easily with earnings. Let me give you a couple examples here. Chevron, again, it's like AT&T is going to have lower than a 60 percent dividend payout ratio. After this deal's done, Chevron. Chevron has a dividend payout ratio of 80 percent. IBM has a payout ratio of 90 percent. Caterpillar is well over 100 percent, kind of crazy. Again, meaning its dividend payout is higher than its earnings that they generate over the past 12 months. It doesn't mean they're going to have to suspend a dividend, generate cash or maybe it's a year it took right that whatever. Even McDonald's, McDonald's dividend payout ratio is over 60 percent.

**Frank Curzio:**

It's going to be higher than AT&T. I don't hear anyone saying McDonald's not going to be able to pay a dividend. They're in trouble, it's crazy. You don't hear that. That's not the story here. So people are worried about debt with this deal when you're merging two huge great companies, so when I look at it, no. Debt concerns? Not worrying me. It's not worrying the market either. Maybe they get a couple of tiny downgrades, still investment grade, but more important, you're looking at a boring company that's just added a massive growth component, which is the top drivers, some of the biggest stocks of the world, the Fang stocks, and it's advertising. You look from evaluation standpoint and say, well, where is this going to be trading? AT&T's at 10 times 2018 earnings. Now let's put that in perspective.

**Frank Curzio:**

10 Times. It's a 40 percent discount the S&P 500 right now, it's also the cheapest valuation AT&T is traded for in close to 20 years going back 20 years right now. So that's how concerned people are with is time Warner deal and it's crazy. Holy cow, it's not going to work out. I mean, you look at AT&T, look at the big picture guys. You have to commend them for doing this. What's the other option for AT&T? Well, let me be leveraged to wireless, which is a dead market. I mean, how many people do you know need a phone in America? Nobody! How many times you put on a commercial, oh if you buy this, you get one phone for free. You get this for free, you

get that, oh, it's only \$30 a month now for dollars. Family plans. This and that. You see them constantly no matter what show you're watching. It's a highly competitive market with zero growth, which is what Verizon's really leveraged to right now.

**Frank Curzio:**

AT&T said, no, no, no, we saw this coming so you know what? We bought DIRECTV and now we're going to buy time Warner and we are going to be into nearly 200 million homes in America. Analyzing big data, analytics cloud, all this stuff becoming like a Facebook now becoming a google now, a massive growth model. Online, mobile, right, huge in mobile, huge in TV. They're going to have access to all these customers no matter what they're doing, not just by going on the going on the internet, going on a phone, being in their house, watching TV, streaming internet use, all these different revenue streams coming in. Pretty amazing. When you think about it, what you put into that context because 10 years from now I really believe that going to look at this deal the same way as they looked at Exxon buying Mobil in 1998 and 10 years. What I like, what were they thinking when that happened? That holy cow, we just created a massive powerhouse.

**Frank Curzio:**

That's what I really believe we're going to see here with AT&T. AT&T will become one of the biggest companies in the world again. They're in a huge market that people pay a premium in they just went from a very, very slow growth model to something that's driving Facebook, Netflix and all these guys and they have significant advantages over these companies because they're also attached to mobile they have different areas that they're going to be generating revenue, not 100 percent leveraged to one particular industry and that's where the world is turning big data analytics, cloud, monitoring people, putting the right ads in front of them, a trillion impressions a year. Things people are talking about when it comes to AT&T. Yes, the stock's gonna be down. They used to go to a paid 85 billion, right? Including debt and everything is \$100,000,000 yes that debt levels is going to go up, but when you look at it and you're seeing the massive cash that they already generate without time Warner, 20, billion in free cash flow.

**Frank Curzio:**

If you look at the debt, it doesn't look so concerning anymore and again, the bond market going to tell us, yes, you might see a little bit of fuel downgrades, people worrying, but man, if this stock goes lower. I'd use that opportunity to buy shares is one of the biggest stocks in my portfolio. I love it. I love what AT&T is doing here. Become the largest company in the world again that's what they're looking to do. Buying direct TV, time Warner, gained to advertise it in content industry. Going to become the largest distributor of content and the media world. I look at that and I think it's

unbelievable and fantastic. Reminds me a square. I don't know if you saw the movement in square, it's one of the stocks we have in our portfolio, square used to process through first data, which was the biggest, the industry and credit card processing.

**Frank Curzio:** If you look at their market caps squares about six, 7 billion now maybe even more. They're bigger than first data, so what I do, they do their own processing now. They don't need first data. You're looking at AT&T getting into the advertising, getting into these different industries now they're the ones that are combining all this stuff together, trying to become the ultimate powerhouse in media and this deal is going to make that happen. That's my take. Again, original. Nobody loves AT&T everybody thinks it's terrible. It's gonna go out of business. I've should write pieces on it. [inaudible 00:26:28] Anybody talked highly of AT&T yet anywhere but again the largest company in my portfolio. So if I'm wrong, I'm probably going to feel it the most.

**Frank Curzio:** Now let's move on because I have a great interview set up with my buddy Andrew Horowitz, who has the third best financial podcasts in the world by me and Mike [inaudible 00:26:46] Horowitz is the host of the discipline investor podcast and also managed by Andrews investment from Horowitz and company.

**Frank Curzio:** So Andrew and I are going to break down a lot of different things like go get the Fed decision today and we do this podcast to get a little bit early. We can talk about that and what implications, again, the commentary after is going to be very, very important. And Andrew does a great job, looking at these numbers and analyze and stuff and for his trading platforms and everything gonna talk about the international implications of higher interest rates, why you need to be careful as an individual investor and like he always does. He's going to share his favorite, favorite, favorite trading ideas with you. One company I'm sure that you'd never heard of before. That's a trade because of something's going to happen over the next three to four months. So you know what, let's get to that interview right now.

**Frank Curzio:** Andrew Horowitz thanks so much for coming back on the podcast bud.

**Andrew Horowitz:** Of course. I appreciate it. Thanks for paying me to be here.

**Frank Curzio:** I paid you a ton of money, man. How much was it?

**Andrew Horowitz:** More in compliments.

**Frank Curzio:** I paid you in I was gonna say Bitcoin, but bitcoin is coming down a little bit. What's all about crypto a little bit later, but a lot of stuff, right? A lot of news going on. We're doing this early guys, this is Wednesday and by the time you going to listen to this later today, the Fed's going to probably now 25 basis point hike, which is not the big deal, right? But the big deal is always a commentary and you're always great at that where we talk offline a lot, Andrew, about the commentary and the Fed and what they're saying could be the last quarter. What are your thoughts on what the commentary is going to be because that's what's going to drive the market, right? Whether they're going to have a wait and see approach and whether they're going to be more aggressive and it's kind of up in the air, right? People like, okay, enough you could slow down, but there's a lot of. It's definitely gonna be market moving based on what they're going to talk about.

**Andrew Horowitz:** First of all, what everybody's been talking about right now is this whole idea, you see it all over. It's baked in that they to be racing by 25 is baked in this quarter. We know it's going to happen, so I mean if the markets are already pricing in at 100 percent probability that there's going to be a rate hike, the Fed would probably be unwise to do anything other than follow along because it would be essentially deemed a surprise and they don't like to spook markets and surprise markets and then you're like, well why aren't they raising, you know, what's happening? So yeah, I agree that this is 25 basis point hike is definitely in line and of course we have still what I would say to be emergency level interest rates and where we are in fed funds. And the thing is that what they're, I think in talk about in the follow-up, when Powell has his press conference, the presser. Is that they're going to leave it a little bit open because they're not gonna want to be I think as hawkish even though clearly the CPI, the inflation rate that came out this week was at point two percent. However, if you look at it, the compound and level of inflation as it is at a six year high.

**Andrew Horowitz:** So that's kind of important, that inflation level is hitting that two percent level, unemployment's at 3.8 percent. That's important because it's obviously close to full employment situation and if you want to rip it down and talk about the labor participation rate and a few other things. Okay, you can make an argument that with this some slack in the labor markets, but generally speaking, all things are good right now and we're still in emergency levels. So I think the Fed though is a little bit concerned because we have two things that are fighting and are problematic. So we're in a time period right now where the economy is good and it has been good.

**Andrew Horowitz:** And at the same time not only do we have stimulus on a monetary basis from the Fed, but at the same time we have stimulus on a fiscal basis by tax cuts. And while we're starting to see some of the benefits from companies and then markets and you know, lower taxes and possibly that's why some areas of the market are getting a much better opportunity and giving them the benefit of the doubt, Aka retail. I think the Fed is also going to be saying, okay, we want to be raising rates into the future and be hawkish on that side. On the other side you have. But at the same time we're starting to really remove liquidity from the markets and that's really impacting a lot of areas around the world in particular, the emerging markets who are putting up a white flag and begging the Fed to be careful how much they raise as the dollar goes up.

**Andrew Horowitz:** And at the same time we're seeing things like commodity prices going up that's very hard on them and their economies are having big problems there's strikes in Bosnia, trucking strikes, there's a discussion in France, there's going to be a trucker strike. Basically Brazil was shut down, their economy's in recession. We saw a massive amount of slow down because about 64 percent of all of the transportation of goods in Brazil is done by truckers and there was a blockade. They shut it down, so we're seeing big problems there. They're currency getting obliterated and these emerging markets, they're kind of levered to the US dollar. They're levered to the US economy, so while the economy's going on one hand, it's really showing up in relation to their currency and their ability to buy things and to get things done. They're having a lot of problems, so it's a very fine line that the Fed's going to have to run.

**Andrew Horowitz:** I think they're going to tilt a little bit towards the more hawkish side of things, but not entirely hawkish. You know, they're not going to be like, yes, we're definitely going to be increasing another time by the end of the year. We have two more meetings that we could potentially look to do it. September and December. I think they're going to follow the same game plan as last year and just hit one up more in December. So, but long winded answer to your question, but there's a lot of things, a lot of moving parts in all of this and they have to really thread this needle pretty well to make sure the world stays balanced because now you're starting to see discussion of contagion in the emerging markets and this whole problem of, what's in Brazil and Venezuela and Argentina and pockets of areas that are good that are aligned more so with China, but starting to see banks in Europe have problems and this is all about a liquidity crunch. So very fine line.

**Frank Curzio:** No, you brought up a lot of interesting points and I guess I'm going to ask you how relevant is weakness? I'm not talking about weakness in Bosnia and some of the places you mentioned in Brazil, but how important is that to US investors, individual investor, because we're seeing our country thrive. We're also seeing where people complaining about the latest actions on tariffs, but these companies are robbing us and we're definitely the driver's seat to the point where these guys need to do something or they're going to weaken their economies further and a lot of them are on shaky ground compared to ours.

**Frank Curzio:** So as an individual investor like yourself, are you concerned where that could hurt the US market if we continue to raise rates a little more aggressive? Where I agree with you, it's gonna hurt the international markets and yes we know whatever it is, 30, 35 percent of profits come from S&P 500 are from overseas. Is it going to be a big impact to the market, to stocks that you think or again people hear international and why should we care? Right. I'm just saying that I'm saying some people would say that. What, what are your thoughts on that?

**Andrew Horowitz:** I think that if we are in a, well I think that's two answers. So, look at what's going on with the small cap market all-time highs hit an all-time high before the large cap markets re hit that again, that's telling the story that US centric domestically based companies that don't derive a lot of their income and revenue and earnings and even products manufacturing from overseas are doing much better or at least investor sentiment is much better with them at the same time. Yes, we're seeing some of the mega caps, but these internet related and Apple and all those names do very well also.

**Andrew Horowitz:** So I think there is a potential for some of the multinationals to have much greater headwinds from the dollar rising. We saw a lot of tailwinds for a while there. Then the headwinds from the dollar rising recently and from the tightening, they still have a lot of money in the bank, many of these companies. So it's not a problem. But I do think that if we are going to be living in a globalized, I guess a trade that's globalized, it could be a big problem if you have trade tariffs because prices go up. Look, look what happened with aluminum. Look what happened with lumber. Lumber prices at an all-time high, like a month ago.

**Frank Curzio:** Yep.



**Andrew Horowitz:** And what does that do? Well, just to let everybody know when your housing prices will go up or if you contract your house, a new house that is, and they're using wood and the construction. What's happening is that the builder can't increase rates on your house they already contracted for. That's why you're seeing such a rough patch for many of the big builders. They're having input price problems. So this whole thing of tariffs on, tariffs off. US is so great, the rest of the world stinks. We need to beat up on all these companies. I don't know. It seems to me that we want everybody thriving and if you know what, we're such a rich country for those people by the way, that are like USA first, which is good, and screw the rest of the world because they look at how much they're just getting off our backs.

**Andrew Horowitz:** I have a question. Have you traveled? Have you traveled to areas throughout China, through Asia, through Latin America? Listen, they don't have it so good. A lot of places don't have running water. They don't have toilets. You're like, Oh, who cares? Well, you know what, it's not like everybody's living like we're living here in the United States as a baseline and they're just stealing from us even more. No, we have a lot. So there's something in Judaism we call it [inaudible 00:36:25]alut and it's repairing the world, making the world a good place, not for the fact of just helping out and being charitable for other people too. But because it's good for everybody, it's just good for everybody. So if you have everywhere around the world thriving, that's good for us. That's good for our companies. That's good for the technology. That's good for sales. It's good for just everybody in total.

**Andrew Horowitz:** So if they're taking a little bit extra from us and they're still having to live in the summertime without air conditioning because they don't have that technology or the ability to pay for that. Alright, so maybe one day they will. And where are they going to end up buying the air conditioners from potentially? Well, it can be from their own company, but it could also be from our multinationals.

**Andrew Horowitz:** So I mean it's kind of like go back and forth with this whole idea of let's put up all these trade barriers. These companies and countries that have been stealing from us all these years. It's not like all these years, there's been such a big problem here in the United States. We just want more now, we're on this whole this thing that we want more, let's get more, let's get more, but, but at the same time, can we get more? Here's the question I asked, can we get more if in fact we're taxing the other guys that are providing some of our base? Again, it's a very fine line that we're walking here very, it's an experiment that hasn't been tested very

well and in history, the only time we've seen tariffs back in Smoot Hawley and all that didn't do very well. Depression was kind of the end result of it.

**Frank Curzio:** Yeah. It's interesting because you bring up a good point by an international to get off topic a little bit, but even what we did is, well, my family is because I travel all over the world as well as you do Andrew and I have like an international timeshare. So I made sure it was international and we travel a lot and so I get the kids because I didn't have that when I was younger. It's just my family and travel too much.

**Frank Curzio:** And when you really see what I want my kids to see what's out there, to see how great you have it, because now when you listen to people complain about traffic and they complain about not enough TV programs on, oh my phone's a little bit slow. I'm like, these guys, some people don't have access to water. They don't like people in our country don't realize how amazing this country really is. And when I see just, I don't care what political party you're from and just rag on it, move, get out it, go someplace else. Can you go wherever you want and go wherever you want. But the benefits that you have are unbelievable. If you've been out there. And I want my kids to understand that,

**Andrew Horowitz:** How pissed off is it when you go to your phone, you're trying to get something downloaded from the internet you're like God darn it. I only have 5G. Oh man, that sucks. I mean, honestly, you go around the world and some other places they're still working on like maybe 3G maybe 2G, maybe not even any data carrying across the cell phone to begin with. So there's areas around the world. We do have it really good here and I know that we want to have it better for, not only for this generation but for generations to come and I don't want, I don't think of myself as a necessarily a globalist. I don't think of myself as a protectionist, but I do think of myself as someone who, let's be smart about how we go about all this and let's figure out how it's, the balance that will be good for everybody.

**Andrew Horowitz:** Clearly the initiating parties. So if the iPhone for instance, we use these as a good example, the iPhone was developed here, it is by company here, but yet at the same time we're driving the revenues and jobs and all that, but we have jobs somewhere else too because it's spread the wealth around a little bit and it helps out everybody. If we didn't have iPhones in China or in Asia, apple would look like a much different company, wouldn't it?

**Frank Curzio:** No, absolutely.

**Andrew Horowitz:** Spread the wealth a little bit. It's okay. It's okay.

**Frank Curzio:** Growth model.

**Andrew Horowitz:** Spread the seed a little bit so you know, there's spread a little fertilizer around. It's good for all of the people.

**Frank Curzio:** So you're going to spread like, because I know you go fishing all the time on your boat and spread the wealth around and take me fishing one of these days or what?

**Andrew Horowitz:** Yeah, of course. Either that or I'll send you a bunch of fish. We had a great party this weekend. A crawfish party in my backyard. Eighty pounds of crawfish we brought in.

**Frank Curzio:** And are you going to Bahamas or something or?

**Andrew Horowitz:** Yep going this weekend. This weekend I'm going taking the boat up to the West End Bahamas. Do a little fishing up there. We'll snorkeling conch, get some spiny lobster.

**Frank Curzio:** How many miles is that? What is it?

**Andrew Horowitz:** 70, it's 70 miles.

**Frank Curzio:** It's like the weather and everything? Isn't that like Bermuda triangle and stuff?

**Andrew Horowitz:** No, I'm not going through the Bermuda triangle, no. But I'll give you some pictures when we come back. The waters is beautifully clear. Gin, clear water. It's funny. The guy's house who were staying at. We kind of like an Airbnb. There's like one. So it's like, listen, we know it's tough to get stuff. We know it's tough to get stuff, is there anything we could bring you over? He says, matter of fact, I'll send you a list. So he said this, he wants brake pads. He wants fan belts for his car, 20 pounds of ribs, 60 pounds of chicken, he wants like two cases of diet cokes, two cases of cokes, were like, Whoa, whoa. We thought maybe you wanted, I don't know, some q-tips or something.

**Frank Curzio:** Hey you asked.

**Andrew Horowitz:** I did.

**Frank Curzio:** That's great, well be safe on that trip. Seventy mile. Yeah, that should be fun, but I want to get that. I want to get to a couple of sectors here that you've been talking. One of them is retail. Big Box retailers have been on fire. They've been doing well. Even the worst has been popping up. JC penny from as low as about 20, 25 percent now after the CEO left. But if you're looking at Macy's, you're looking at Kohl's, a lot of these guys are making really good moves and big moves off of their super depressed lows in what was it, October. What are your thoughts on this industry? We're seeing retail sales pretty strong and people spending money like everybody has it. What are your thoughts about this is this, is this trade over and done with? Can we get out of it? What are your thoughts?

**Andrew Horowitz:** First of all, gives you, seriously give you compliments. Back in October you, I think it was October, maybe November, whenever the low area was a right before, right after. It was right in that period. You were on my show, the disciplined investor podcast and you said get into big box retail. And I'm like, hmm, really? But you definitely called it right, I'll be honest. I think what are they doing is better inventory, generally speaking, it was general comment, not individual stores, but the big box retailers. The malls are still dead. They're drying up they're shriveling like a bad raisin. Okay. You look at the traffic in the stores, even anecdotally when you go in, I mean it's not a lot of foot traffic going on. Yes, they're getting better with their online. They're getting better with their inventory management.

**Andrew Horowitz:** They're getting better with the not having to mark down stuff because they have better inventory management is not necessarily because people just buying stuff like crazy just off the shelves, but the worst was oh these guys are going bankrupt and I think there were being sold off with that in mind. That's what the sentiment was. Now I think sentiment has shifted the other side like, oh you know what, it's not as bad. The whole Amazon impact and the effect of Amazon is not as bad and people are actually going back shopping because they have more money in their paychecks as their taxes are lower. So their spending, and we saw the retail sales recently look a little better. It's a noisy read the retail number and we don't know where we're going to have it. We have to look at it over a several months period, but definitely looks better and that does make sense. More people are working, so more people have to buy things. That makes sense.

**Andrew Horowitz:** Also, I still am questioning whether or not the thing is like, I mean sears is closing up another 72 stores. There is just so far these stores will go until they got either cut expenses dramatically and

hopefully that will help their bottom line and maybe do better. But I just think some of these are a little bit overextended right now from really where they should be. I think the sentiment has shifted too hard to the other side with the thought that, wow, there's going to be a miracle here. The miracle is not there. This is kind of like what happened with radio shack. I mean, you don't need to do a radio shack. They went bankrupt. You don't need to go to a sears and buy tires anymore because you could find a tire app that will have them delivered to your office or your house and they'll put it on the back.

**Andrew Horowitz:** There's tools that you can get somewhere else and as this next generation, and forget about our generation that's buying this next generation, they don't look up from their phones. They're going to be buying everything I tell anybody. It's like Christmas in my office every day. I get boxes every single day of delivery of goods because I don't want to get up out of my chair. I'm working, I'm doing my thing. I'm clicking buttons at the same time buying things. The next generation is going to be even more inclined to buy things online and as the ability to do so, it gets easier and easier.

**Andrew Horowitz:** And look at Walmart's having trouble keeping with their margins. You saw the dollar stores lately get just last week their earnings came out for dollar general and for dollar tree and, and they just got obliterated five below did very good. That's actually, we own that stock in our portfolios that it's kind of people are opting maybe because the dollar stores really don't have things for a dollar and a bit of a switch process there. I don't know about you but I go in the dollar store I'm like, how come this is \$2.50? I thought it's supposed to be a dollar. I don't understand.

**Frank Curzio:** So funny, the business model just eventually is going to come back and bite you in ass. You have a business model that you have a know you cannot, even with a low cost airline, there's no such thing. Right, and jet blue is a low cost airline. Their prices just like everybody else basically. So if all prices go up but your costs go up, you're going to keep those little costs. Now you're going to have to raise. If you eliminate the amount or the price that you're going to sell something, it's not a good business model. Eventually you're going to have to change it and you know they are. It says dollar stores, but like you're right, there's nothing, barely anything in there for a dollar anymore. They have to raise prices. They have no choice.

**Andrew Horowitz:** If you calculate the inflation rate of last few years has to be like the dollar 26 store.

**Frank Curzio:** Yeah. That's just inflation from one not too long ago.

**Andrew Horowitz:** I want to mention something though because I want to before we skip on to this, because I think there's something really important here. I think there's two things that are really happening in the economy right now that nobody's really talking about very much. I think the first part of it is yes, I agree with the retail sales people get giddy. That gets them more money. What do they do? They spend it, they save it and they spend it. This is something else also this happening that I, or at least I believe that could be happening and it's a pull forward effect. The pull forward effects.

**Andrew Horowitz:** So if you remember a few years ago, Japan had a massive increase in their sales tax. Remember this? And they put this because they had to do so because they had so many bonds outstanding from the quantitative easing program that they did that basically the rating services, were going to say, we're going to have to downgrade the sovereign here because you don't have any income to pay for this, the country's doing okay and you're still kind of in a deflationary spiral and you're pretty much at full employment here and all, but at the same time you keep on buying bonds and then there's going to be the requirement to do the debt servicing and pay it back.

**Andrew Horowitz:** And where are you getting the money from? Well, they didn't want to really necessarily raise taxes or maybe do something cut anything, God forbid. So what do they do? They decided on a sales tax increase. Now they set the date, date's going to be February 22nd or whatever exactly the date was, this is going to be the sales tax. And what did everybody do? They went out like crazy people and stocked up on everything they could beforehand. And what do you know right after that sales dried up and they went into a recession. That's exactly what happened. Okay. They tried to do it again and they said, well, maybe we should think of a better way to do this, but here's what my point is. There's a pull forward process that happens sometimes when there is something that is on the horizon that may change the way that business is done, or possibly the way, the cost factors involved with tariffs and the threat of tariffs right now.

**Andrew Horowitz:** I do wonder if there was a lot of pull forward of buying. And that's why some commodity prices have gone up. Even though these tariffs really haven't, steel and aluminum tariffs have been put in place, but there's really no tariffs on China, it's a lot of talk back



and forth talk and there's talk about tariffs here and there. And we have some period of time when the tariffs were exempt from this other ones. And so who knows really what exactly is being tariffed right now. But meanwhile, prices went up on aluminum. Prices went up on steel, prices went up on lumber and a variety of other commodities. Oil is a separate department altogether, but I do wonder if the threat of the terrorists was a pull forward effect on people buying things, manufacturing from other countries from the United States and therefore we're seeing a little bump in the economy due to that. That may in fact see same kind of situation where after the big buy was done kind of a slowdown ensues. Something to think about.

**Frank Curzio:** No, no, definitely. Good point. Definitely a point. But I want to change soon as you have because I know there was a couple of subjects that you want them to talk about, including Cryptos real quick where we see yellow again, bitcoin's coming down. This is an industry that I'm pretty bullish on over the long term in terms of blockchain and a lot of different companies doing amazing things in this space, but I'm for it. Listen, you got to see regulation is industry. It's got to get cleaned up this way. There's more confidence is more accountability, what are your thoughts is, a lot of people still think this is a fad. It's crazy. We just saw a recent hack which is pushing prices down a little bit over the past week. So what are your thoughts about it?

**Andrew Horowitz:** A little bit? You just say a little bit?

**Frank Curzio:** Yeah, well, I mean people forget really because people are quick to say that bitcoin is down 50 percent now from its highs, but in the beginning of 2017, it was wild, like 1700 and it's still 6,000 over 6,000.

**Frank Curzio:** So when you take into consideration like the whole package even the year and how much. It's just the, when people say does it natural currency, again, you see the fluctuation of the currency, which is crazy, but when you take it from where it was 2017 until now and you're seeing what I'm seeing is the institutions really going into blockchain technology and spending a lot of money in the sector and taking it for real. What are your thoughts on it is, it's just something that's going to go away. It's just is something that you're totally negative on or do you see it as a good trade? Maybe, maybe like Bitcoin, in theorism.

**Andrew Horowitz:** I think there is some validity to some of, well it's two parts of this discussion, so this is the coin discussion, cryptocurrency coin discussion and there's the block chain discussion. The cryptocurrencies and coins will pretty much run on the blockchain,

right? The distributed ledger and how things are moved from place to place or paid for and then you had the whole ICO thing and all that. There is a I think there is some validity to the storage of value concept. Where you have the opportunity to have a money outside of the sovereignties and put money into something and it's kind of like an investment, but there's not necessarily under the roof of a particular currency and that if in fact there's one of those that can have the opportunity and ability to utilize for quick payments internationally where it clears in a secure and all. That's a good thing. I see that.

**Andrew Horowitz:** Some of the other coins, I mean probably 98 percent of them are just crap, these white papers that anybody can. I've seen people do this that I know, so they create these white papers. They create all this excitement. The PR machine starts going and it was like, oh, look at the team, and they got these brilliant guys from India and this guy from China and this guy from Japan and a couple of guys from Palo Alto and Oh man, that team's great. We're investing in that and the coins go up and they go crazy and they skyrocket and coming back down. The block chain, on the other hand, the block chain's interesting. It's a technology. It's a process. It's a really cool way of doing business we can call it and I mean, but did we get that excited?

**Andrew Horowitz:** It's kind of like an OS in a way. I mean, if you could think of it that way, it's not an OS, but think of it like an OS. Well, you have Linux and you have like Microsoft and you have apple and you have all different kinds of platforms that you could run something on. So the blockchain is where you could run something on, it can be coins or it could be business, it could be inventory control, it could be shipping, it can be all sorts of things. So I think the blockchain, somebody's got to figure out how to, in fact maybe a create a business around blockchain, just like red hat did around Linux, right? So Linux was open source and anybody could use it. And what happened is that red hat came along and said, you know what? We're going to service it. We're going to help create. It will go and look what happened to red hat. That's a great company. Just an amazing company at.

**Andrew Horowitz:** But what are they doing that basically servicing an open source free platform that they took on and they have red hat Linux, but they took on and they actually made a business out of it. So if there's the opportunity for a company to come in and coordinate that and help people with their blockchain for the purpose of whatever their business need is, I think that's great. But I don't think we should confuse it. I recently had on the, I don't know if you heard this, but I

was up in New York and I did a series of interviews at the Benzinga Fintech awards and this was last month and what I did is I made a series of podcast mini episodes, one of the guests that we had on it and I think he was playing, I think it's this week, he is on. You can just listen to one of the series is Tom Eck.

**Andrew Horowitz:** He's the head of IBM's Watson Division for Finance and Fintech. And we talked about blockchain a little bit, but basically, IBM is trying to get into that also in the whole financial sector can be theoretically run on it if it's safe, but you have to separate the two. I just think that this whole movement is very interesting in terms of the concept of using as a currency where you have a currency move it up and down five percent of the day. That is not a currency I want to be involved in. That's a speculative play and that's fine. You want to invest in it, have at it. You want to use charting, great. There's no fundamentals, so you've got to throw that aside. So just use charts, do what you gotta do. If you want to trade it, swing it, scalp it, hold it. That's great.

**Andrew Horowitz:** But I think there is an opportunity to. Some of the big names I think in theory is getting whacked due to the fact that a lot of the other smaller ones that built upon, on top of Ethereum and sort of seeing some of that problems happen that many of these other companies are kind of getting withered away. I don't know. I can go back and forth on whether it's great or not. I don't know, it's been a great run. I think the value of it seems to be just a lot of speculation and sentiment based investing.

**Frank Curzio:** Yeah, it is a pretty crazy industry and one of the big changes I see is, the ICO industry. I've seen some of these white papers where you have kids with no operational experience. They'll write something on a paper Napkin and raised 15 million dollars like nothing and saying this is what we're gonna do with the money, so nothing is created yet. We're going to do this, we're gonna do that, it's insane. But there's another avenue that's coming out, which I'm really excited about was STO security token offerings where I can see a lot of small caps doing this, getting into getting into this space instead of going the IPO route. And that's why I think you've seen a lot of investment banks get in here because one of investment banks, they're just a middleman. They're going to provide that liquidity for you. They're going to give you a buy rating, 25 days after the stock comes out, here you go. But when you invest in private companies, it's six, seven years for payback period, if everything works out, that's an average. If you know, they go into IPO, which is a liquidity event or if they get taken over.

Other than that, you're sitting on it and it's worse than housing. You're just sitting on what, you can't do anything about it. You can't get it out and let's just make it up.

**Andrew Horowitz:** It's a parking lot.

**Frank Curzio:** They'll buy you out for ten cents on a dollar if you want, which is fine. But when you're doing these security token offerings and you actually have company real companies doing this and offering an equity stake, which is backed by the token, I think that's a very good business model.

**Andrew Horowitz:** What's the difference between that and

**Frank Curzio:** Massive.

**Andrew Horowitz:** And IPO?

**Frank Curzio:** Massive, massive. IPO you got to pay six and six. You got to Goldman Sachs six percent of the deal and you got to give him and to IPO. What do you have to do with your IPO [inaudible 00:55:41] Goldman especially now with Uber is. And look how long it took Facebook, Alibaba, I mean these companies don't want to go public that they're 90 percent of their growth is taking place before they come public where now you have these smaller companies that no one's going to take public on our exchanges because say if you have 5 million, 10 million in sales, people that don't care, you have to have 100 million in sales, 20, 30 million in sales with some kind of revolution idea for an IPO to come to market and not only that, the massive, massive cost in terms of lawyer fees and registration fees and all this stuff.

**Frank Curzio:** It's massive and in this way, Hey, you have a coin trays on exchange. Again, assuming that these exchanges, which a lot of coming out, I'm actually on a board one that's registering with the SEC, but if this regulation takes place, you don't have to pay all these fees. You can go directly to crowdfunding to generate this money. Some of these with the STOs are actually coming for a credit investors only way. You have a lock up period of a year, but your coin or the stock gets traded on the exchange one year later with maybe a 10th of the cost and you avoid the middlemen,

**Andrew Horowitz:** That will be fine until the regulator, if the regulators get involved and a very powerful lobby of the financial companies get involved and say like, you know what? That's fine, but we want a piece of

this and we're gonna figure out a way. I'm just worried that they always do find a way to get money and they're greedy hands and everything, so that's my only concern.

**Frank Curzio:** I agree. I mean they're investing heavily in this space, because of that because it's seeing the amount of money that's being. Everyone's doing it's ICS to do an overseas. You can't really do them here because they did not deem security. Some of the utilities and if the SEC comes out and says, well, every ICO's a security, all these guys can basically going to have to shut down a business if they're in US. So if you look at the ICO market, how much money has been raised over the past three quarters. Even now, even when bitcoin and these things have come down, these investment firms going, wow, this could be a massive thing if this is improved America or we're going to lose this business and everybody's going to find ways because there's millions of ways to do this where you can open it up and kind of to us investors, again, it's a lot of backdoor stuff going on and you want to regulate it, but they're avoiding the investment fees that opening up operations elsewhere.

**Frank Curzio:** But now you have certain states like Wyoming, which is becoming like the Delaware businesses when you registrar business, Delaware is one of those friendly. That's why you see so many Delaware based company did not base in Delaware, but they register with the state of Delaware. Wyoming is becoming a state with cryptocurrencies, but it's going to be if they do it right.

**Andrew Horowitz:** The wild wild west of Wyoming. That's perfect.

**Frank Curzio:** I know right.

**Andrew Horowitz:** Perfect, perfect.

**Frank Curzio:** For me, it's something that, it's a really crazy industry, but I think really if you regulate see where it can go [crosstalk 00:58:05] [inaudible 00:58:05]

**Andrew Horowitz:** You know where the money is? The money is in the PR and the legal process to set this up, that would be the money to me because if everybody that wants to come in and do this thing and then you take a piece of the deal and you get. Because crowdsourcing is great and crowdfunding is great. However, the problem is that we know that Goldman, if they do, they have access to incredible amounts of money from all the hedge funds. The money is there. It is, there is no question about it. Okay. If you do the other side where you don't have any crowdfunding and you don't have, you just using crowdfunding and you don't have

any really ability to get out there, the company I would want to set up is the company that manages the entire process and helps companies get through the process, help them with the legal stuff, help them create the white paper and the website, blah blah blah, blah, blah. Get them registered. I mean that's a company I'd want to be a part of.

**Frank Curzio:** Yeah. No, I know, but it's interesting. It's like China, right, China is going to be the biggest and greatest economy in the world. It's just a matter of time if they wanted, if they want to really regulate it and stop the black markets and not lie in everything that they do with the IPO scale that they had, again, with a couple of years ago, five, six, seven years ago, whatever. If they do things right and everything is accountable, then you're going to get tons of money flooding into that market. They're going to eventually be. It'll be the biggest guys in 25 years. It'll happen in 10, but it's a matter than to get it regulated. I think I've seen the same thing or that's how I feel from the people and talking to in this industry. But again, it is interesting, it's a fascinating market.

**Andrew Horowitz:** A lot of scam artists in here too and you know some of them were very tall hair.

**Frank Curzio:** A ton and that's why it's got to get regulated because I would say most of the ICOs are going to fail. So you have to be very careful there but there are some of them that are actually pretty good that I've seen, but yeah, it's seen as a crazy mark. Now let's move on, one last topic here I want to talk about is like the Fang stocks and big, big technology, right?

**Frank Curzio:** Because we used to see everyone is always concerned about that are coming down. They're like, what's a safe haven? Okay. Well, it's consumer staple sometimes. Sometimes it's utilities. People think gold. It's hasn't been gold forever. But now it seems like the safety trade is getting into these mega caps and these large caps, these fang stocks. And I know you've mentioned that. What are your thoughts on that? I mean these some of these things are tesla and Netflix for example, great companies. I get it. But a lot different from Facebook, Google, apple.

**Andrew Horowitz:** Yeah it's funny because I see Netflix as company that you look at valuations and you're just like, Whoa, what is that all about? But just hold onto that thought for a second. I look at it a tesla for example. I look at the valuation, I said, Oh my, what's going on there? Somehow we see a distinct difference. By the way Netflix made my screen for our stocks that we hold in our core portfolios for clients and I was shocked that it actually made the screen. You



have to have good revenue, good growth, consistency and all that. Margins are we that's expanding. It made my screen. That was pretty impressive. Okay. Tesla, on the other hand, seems to be just a major Barnum and Bailey hype job. And to be honest with you, I am not saying anything really well, I guess I am to a degree, but about Elon Musk, brilliant guy, smart guy, having fun with the whole process and all that.

**Andrew Horowitz:** But a lot of talk in the delivery issue is a real question. The production issue is a little bit behind, in order to make his deal, he's laying off nine percent of his workforce announced yesterday. There's a lot of things that are going on that I just, it seems like a constant, major, look over here, not over here for the company and they're going to have massive cash burn for a long time and even while they have some benefits from their batteries in their solar and all that, they came in and basically bought a defunct company with Solar City. They had to bring that in because I think it was going bankrupt if it didn't and he rescued the company and you have that going on now. But the car, brilliant car, fantastic car, great car, wonderful car, nothing about the car. However it is a car, it's a car, you know? And I get it, some technology there, but it's a car, it's a product. So why you valuing this thing so high like that is beyond my wildest understanding. Unless what he's trying to do, which I believe he is. He's trying to do the Amazon model, which is just spend the crap out of money, lose money. Who cares in the beginning and then when he finally gets it,

**Frank Curzio:** That's a big difference though. I mean Amazon could really be, as you saw last got an Amazon can report monster profits that they really wanted. They just pour a lot of money to the business. This company can't report monster profits. Even if they want it to. In the business.

**Andrew Horowitz:** That's why they're laying off nine percent, that's why they're laying off nine percent.

**Frank Curzio:** But the stock's going up, hey they love that. [crosstalk 01:02:42] 15 percent.

**Andrew Horowitz:** I know it's going up. It's at 345, give or take, 343. I mean, I still think it's a questionable, I just can't. I can't like them. I just can't like I'm trying, but to get back

**Frank Curzio:** It's dangerous. Real quick, get back, before you do that, I want y to explain something because now you're seeing Tesla, which is 275, 280, now it's going 310, 325. Could you explain to someone who's a trader of why you seeing this continue to go higher? Because you know this has one of the biggest short positions out of any stock in the whole planet.

**Andrew Horowitz:** Oh close one there.

**Frank Curzio:** Close one yeah I almost slipped there, but you know what I mean, but explain why, because once it goes, high, there's a chance it's going to continue to go higher, right?

**Andrew Horowitz:** Right. You said it.

**Frank Curzio:** But I want you as a trader, yeah talk about that.

**Andrew Horowitz:** So it's interesting because you look at things, okay. You know, as, as a young trader, novice trader, you're looking for, alright, what stocks maybe won't go won't be so good. Let me find those stocks that I can possibly short. And you start looking at things like, oh look at that. There's a lot of short interest on there. Maybe there's something called days to cover. How many days of normal bonds does it take for actually all the shorts to get covered? So let's say you have something with 10 days, that's a long period of time your stock goes up. What happens is certain traders are short and they get their level that they say that's the level, whether it's technical or some other level, that's the level I'm going to buy. Once you buy, obviously it takes the stock up and as more and more shorter in there and you have such a heavily shorted position, just inertia that starts moving it up, starts busting the stops on shorts, and you start getting a move higher.

**Andrew Horowitz:** Same thing in reverse of what happens if you have a lot of long positions that the stock moves down and it starts moving down, moving down and moving down. The difference is that with a short position, you could lose an unlimited amount of money and people don't want to be a part of it. Most short traders are, they're kind of renters. They don't really buy and hold or short and hold, I should say. They kind of like it to look at for our drop and then getting out. And by the way, for those of you that think that short sellers should be locked up, you're nuts. They're the people that actually save the markets at the worst of times as markets are creating lower and you have a lot of shorts in there that I'm cleaning up and making money and nobody wants to buy, it's the shorts that

usually come in and say okay, we're closing our position and that's a buy and that's when it starts turning things around and when it starts moving up, the shorts pile back in and starts selling even further. And what happens is it brings the prices up.

**Andrew Horowitz:** So when you have a very high short interest on stock, if there is inertia and there is buyers coming in, not only do you have natural buyers that are buying the stock, pushing things higher, but the short term actually covering their positions and pushing it higher. And oftentimes the shorts will chase it really fast because they don't want to lose any more money. So they're going to buy at any price on the way up.

**Frank Curzio:** No, go ahead and explain that, I love giving you anything we can teach you guys out there and it's just cool. But okay. So you back to my point with this being a safe haven. Go there real quick.

**Andrew Horowitz:** So real quick. You have cash cows here you have Microsoft is making money hand over fist. There's bought get hub. They think they're going to do something there. They got a lot of money in the back in the bank, they're doing buybacks, apple, massive buybacks. You have these companies that have money in the bank, ability to issue debt and they're doing buy backs. You know what? Hmm. Let me think, do I want to be over in the emerging markets that are getting kerplunk do I want to be in some stocks here in the US that maybe are the utility market that are susceptible to interest rate moves or maybe even real estate, maybe not, oil all over the place. You know what, let's go into some of these cash cows that are just able to make money regardless of economic, listen, is Facebook really going to be necessarily affected by economics?

**Andrew Horowitz:** There's no, maybe a little bit possibly? There's other things that would probably affect them. Microsoft, people need their computers maybe, with less people working, less seats, less seats mean less business. Okay, okay. But they still have a lot of cash, a lot of buybacks going on. So there's the people I think seeing this as a safer haven because of that and kind of move in there and that's why we're seeing markets go up also because we are market cap weighted indices that are moving things higher.

**Frank Curzio:** No, definitely makes sense. So, let's get some of your favorite ideas, which I like to do all the time and you always get one out there, throw his favorite ideas and now we've created this All Star Portfolio where just like you do when your monitor my stuff and everything we're kind of throwing his stock pick from all the All Stars that you can call it all starts guys like you. You're in that group, you're All Star.

**Andrew Horowitz:** Yes.

**Frank Curzio:** What is some of the things that you trading, some of the things that you're looking at right now that look like good ideas in this market?

**Andrew Horowitz:** I mean, Facebook, I would just love to short. I got to figure out the right price here. Let me tell you one that I think is really interesting for something right now. GENERAC GNRC is a generator company we're entering into hurricane season. It's a seasonal trade. This seems to work on a regular basis throughout the summertime. Now, of course, if the more hurricanes you have, the more generators, the more fear of hurricanes, the more generators and since we had a pretty bad season last couple of years with Texas getting killed and Florida and all that, people could be stocking up on generators. They don't think about the rest of year. They think about it the first time the first hurricane comes. That's when people start thinking about generators and you'll watch the company start ticking higher usually when there is the threat of a storm coming.

**Andrew Horowitz:** So Generac, I like as a company generally speaking and as a seasonal trade. Brazil is an interesting area down pretty hard from its highs down about 28 percent from the highs in January. I think that this whole trucker route and the petro bros situation and some of the corruption issues of course, but the petro boss with the raising the price of fuel on a regular basis, they get to kind of get the notion that can't be done. They're going to realize that truckers needs to be subsidized, things will calm down a little bit so he can look at EWZ as the Brazilian ETF that could have an opportunity moving forward. So two ideas for you.

**Frank Curzio:** Alright, perfect. And Andrew if someone wants to get more information from you, your discipline investor podcast I always say it's second best podcast ever. And we've been doing this for a long time to get even back in the street and stuff like that. We've been friends for a very, very long time. But guys go and take a look at disciplined investor podcast. But also you're always working on things to, if someone wants to find more information out about you, how could they do that?

**Andrew Horowitz:** Go over to the [disciplined investor.com](http://disciplinedinvestor.com) is all the different things that we have available there. All the podcasts are there, the various strategies. You can watch some videos on the strategies, you can find out what's going on with our global allocations are actual, our hybrid Robo and best ology with an e and investology is a platform that we created that brings the best of the back end of Robo

investing as well as what we're doing on actually managing your portfolio. Check out Everything right there. I have one question before you close. Can I ask one question?

**Frank Curzio:** I can ask whatever you want pal.

**Andrew Horowitz:** I have a client that listens to you and he says, that in your newsletter and several other newsletters that are talking about Uranium and becoming high demand. He said however, the question is, you said that, somebody said that Kazakhstan and several other miners have reduced and continue to reduce production capacity. Therefore, I don't understand why the price of uranium is going to rise, if miners can just increase production to meet demand, then for prices would only up to slightly. So can you give me just a little bit on this whole uranium thing?

**Frank Curzio:** You're waiting for the van to come around, and that's a big story, right? You need some of these things come online, back online in Japan, but I can tell you this guys, and I'm being dead serious here. Michael Alkin is the number one rated uranium analyst in the world. I'm not even kidding you. I'm not hyping that up.

**Andrew Horowitz:** You can say the universe.

**Frank Curzio:** I'm telling you, no, but I'm being very serious here. He's created models and I've seen this guy, it's amazing, it's unbelievable. To the point where he has some of the largest hedge funds in the world calling him about it, he's meeting with all uranium companies. He is the uranium, he's speaking at uranium conferences, but he did a couple of presentations and now it's going viral. He's the person that, I mean, this is a massive, massive market. It's going to be a massive market soon and he's very bullish on it. It's going to take some time, but he is the guy that if you want to talk to uranium, he knows everything. I mean you can follow him on twitter and go there if you like, but he's the guy that knows much, much more and gives me all the analysis. So for me to give it to you, I'm kind of like taking him again, Mike Alkin runs 24 trader. We hired him, he's amazing, but he's the uranium specialists and to the point that, hopefully he doesn't get too good where he leaves and starts his own uranium hedge fund.

**Andrew Horowitz:** I did try to poach them from him. He said he's staying so

**Frank Curzio:** Cool, cool, thanks. Yeah, he's a guy to know about it, but yeah, I think prices will eventually go higher. It's just, it's a very long-term story and it's something that you want to put money into it and forget about it. And in 10 years you'll probably be extremely happy

because when this market turns you don't get 100 percent gains, you get thousand, 2000, 3000 percent, especially from this price because it's not economical right now. So they have no place else but to go higher and they will, it may take a couple of years, but it will. So hopefully I answered your question.

**Andrew Horowitz:** And one more thing, you can follow me on twitter. That's the other part of the answer to your question before I asked you the question. Andrew Horowitz, just one word, Andrew Horowitz and by the way, I have a new Instagram account.

**Frank Curzio:** Instagram, love it.

**Andrew Horowitz:** Yeah it has nothing to do with finance,

**Frank Curzio:** Okay, cool.

**Andrew Horowitz:** It has to do with it, it's called Dad Bod food blog. It's all my food pictures.

**Frank Curzio:** Uh, yes.

**Andrew Horowitz:** From around the world.

**Frank Curzio:** Chef and yeah, you have a lot of talents out there that, we should talk about more about that people interested in stocks these days.

**Andrew Horowitz:** Yeah. I guess

**Frank Curzio:** That's another podcast for you man, that's a good idea. Well Andrew, listen, be safe on your trip when you go fishing. And that [inaudible 01:12:04] interesting, but I always love when you come on and give us ideas, insight and we can really talk forever. So I really appreciate. I know everybody loves your podcast, so thanks so much.

**Andrew Horowitz:** Frank you're the best. Thanks for having me.

**Frank Curzio:** Alright buddy, take care.

**Frank Curzio:** Hey guys, great stuff as always from Andrew, give out his twitter address, your products and stuff and things like that. I was given time to, to really plug some of his services and things like that. But he's just a good friend, a guy that I trust, someone that really cares about his business, that cares about it. Sounds crazy, right? Because you think everyone will care about that business, but he really does, he's got great credibility. Someone I've known for a very long time, has a great podcast and it's been a very good



friend. I just love talking to him because we go anywhere, right? And it's great analysis. It's not like, okay, let's just talk about this and talk about, no, you can tell detail he's going into it, this is what he loves is what he lives and breathes, and to have him come on and talk about so many different sectors and different stocks.

**Frank Curzio:** It's usually why I get the best feedback from him. But this podcast is about you, not about me. So let me know what you thought, [frank@curzioresearch.com](mailto:frank@curzioresearch.com), that's [Frank@curzioresearch.com](mailto:Frank@curzioresearch.com). So one at a time here, long interview, great introduction about AT&T and kind of like the education segment right there. But I want this to end with this and say thank you so much. I mean demand for crypto intelligence. Barry Collins newsletter has been off the charts, and it's been incredible. And we offered a free treasure, which is a cold storage device. We also had a special offer, 80 percent off to subscribers. We ended that on Wednesday and we're getting a lot of demand from affiliates that want to run this. And I don't want to do it yet. I'm going to run into them probably starting a couple of days. So I wanted to extend this offer out and I usually never do this because, whatever offer is the offer is, but we're getting a lot of emails because there's some people that have vacation and some people that do this and I went to sign up and they say, well, I didn't get that offer that you had three days ago and these are people that have listened to me for 10 years.

**Frank Curzio:** We're going to keep it open just for a couple more days guys. That's it then it's over. We want to do the right thing by our clients and get you into the right newsletter here instead of you going off and buying some other newsletter with guys that I know in this industry that don't know what they're doing. So again, it's not a sales pitch, it's not anything like that, but we're still gonna open it up where you're going to get the free treasure cold storage wallet and you're going to get 80 percent off of the newsletter. And after that, I believe it is on Friday, it's ending, and you won't see that offer anymore, maybe ever again.

**Frank Curzio:** So we'll keep it open for Friday for you guys and most of you subscribed, subscribed already this is just for a lot of emails, maybe a couple of dozen or so people say, I wish I took advantage of that offer. Whatever that's for you. If you want it, you have to be on an email list. You just go to [curzioresearch.com](http://curzioresearch.com) and get an email list or send me an email, [frank@curzioresearch.com](mailto:frank@curzioresearch.com).

**Frank Curzio:** But guys, thank you so much to the ban has been off the charts. I think you've got to be really, really happy, especially for getting it right now because he's going to come out with a lot, Barry's coming out with great, great recommendations and it's at the right

price and is doing good. Now we saw a little bit of decline in crypto right now and mostly in Bitcoin Ethereum some of these things, but it is going to provide a great opportunity that just shows you why the market came down is because, another market standpoint got hacked and we need more regulation in this industry. When that happens, you're gonna see tons and tons of institutional money flow into this market.

**Frank Curzio:**

Guys, I know this directly. I talked to people who want, who manage other people's money, who want to get into this industry, but they need to see regulation first because they had that fiduciary responsibility where they can just close our eyes and invest money in it. So companies that have come into the market in crypto that are actually trying to register with the SEC, that's becoming a big thing. So big that after this podcast, no home changed. Tomorrow morning, 4:00 AM. I'm flying to New York to meet with a lot of people, family offices and about seven different crypto companies. And it's a huge event because these family offices and the person's gonna be there represents about 1500 of them, their clients, his clients want to get into Crypto, but they want to do it in a way that's responsible. They want to do it in a way that it's regulated by the SEC this way there's no BS and you can see how much demand there.

**Frank Curzio:**

So I'm going to New York for two days, actually talked to a bunch of people at meetings all day Thursday and Friday and I'm flying back here Saturday morning because it is father's day weekend, but I'll give you the scoop on what's going on, what I learned from there because I want to hear what they're saying, what they need to see because that's what I'm hearing from institutions out there, how they want to get it. They need to see regulation first and the SEC is not too far up, but creating regulation is an issue, which it definitely, definitely needs, not overregulation, but just provide those levels of safety for every investor to feel comfortable buying bitcoin bond, Ethereum, buying these ICOs or STOs or anything else. So thank you so much again for all your support. I really appreciate it. So guys, that's it for me so much for listening. I'll see you in seven days. Take care.

**Announcer:**

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